

AR79

annual
report
1975

Canada Tungsten Mining Corporation Ltd.



CANADA
TUNGSTEN
MINING CORPORATION LIMITED

<i>Executive Office</i>	Suite 1014 - 111 Richmond St. W., Toronto, Ont.
<i>Branch Office</i>	80 Niobe Street, North Vancouver, B.C.
<i>Officers</i>	<i>C. ALLEN BORN, President</i> <i>J. B. REDPATH, Chairman of the Board</i> <i>R. G. HORNCastle, Secretary-Treasurer</i> <i>MERVIN COFFIN</i>
<i>Directors</i>	JOHN B. AIRD, Toronto C. ALLEN BORN, Denver J. M. RICHARD CORBET, Toronto DR. E. B. GILLANDERS, Vancouver JOHN W. GOTH, New York J. B. REDPATH, Toronto H. A. SAWYER, JR., New York
<i>Transfer Agents and Registrars</i>	CANADA PERMANENT TRUST COMPANY 20 Eglinton Avenue West, Toronto, Ont.
<i>Bankers</i>	CANADIAN IMPERIAL BANK OF COMMERCE Toronto and Vancouver
<i>Auditors</i>	DELOITTE, HASKINS & SELLS Royal Trust Tower, Toronto, Ont.

THE ANNUAL MEETING of the Shareholders of Canada Tungsten Mining Corporation Limited will be held on Thursday, April 29, 1976, at 11:00 o'clock in the forenoon in the Casson Room, Hotel Toronto, Toronto, Ontario.

Directors' Report to the Shareholders

Your Directors present herewith the Annual Report of your Company, together with the Mine Manager's Report and audited Financial Statements for the year ended December 31, 1975.

During the year under review, your Company earned a net profit of \$886,477 or 17¢ per share compared with \$3,677,449 or 74¢ from the 1974 operation.

This reduction in profit was caused in part by lower sales, but principally by substantial cost increases. Productivity has declined and costs, particularly labour costs, have escalated substantially. A major factor has been the changeover from open pit mining to the development and bringing into production of the underground mine.

Tungsten demand gradually weakened in 1975 in response to lower levels of industrial activities in the U.S., Europe and Japan, and 1975 consumption was lower than in the previous year. The Metal Bulletin price of tungsten declined from a 1975 high of \$92.48 per short ton unit in February to \$78.77 per short ton unit at the end of the year. Although there has been some firming of prices during the early weeks of 1976, the level of consumption is still relatively low.

Production

The mining and milling of 179,032 tons of ore at a grade of 1.28% WO₃ produced

162,892 s.t.u. WO₃ compared with 1974 production of 170,614 tons of ore at a grade of 1.45% WO₃ and 177,880 s.t.u. WO₃. Overall recovery was 71.1% compared with 71.4% for the previous year. Metallurgical problems encountered in the first quarter of 1975 caused a low 63.7% recovery.

Initial development of the underground mine necessitated production of lower WO₃ grade from the fringes of the ore body which contained a high percentage of the mineral talc. Circuit changes and additions had to be implemented to bring the overall mine recovery up during the remaining months of 1975 to an overall 71.1%.

The ore reserves as of December 31, 1975 are estimated at 4,347,000 tons averaging 1.6% WO₃. Since June 15, 1974, all mill feed has been mined from the underground ore body.

Capital Expenditures

Expenditures during 1975 on underground and surface equipment and facilities amounted to \$2,196,000. While the funds for these expenditures were available from cash flow and previous reserves, it has become necessary since the beginning of 1976 to utilize bank credit to support working capital requirements.

Labour Relations

An agreement was reached effective May 1, 1975 with the United Steelworkers of America,

Office and Technical Unit. The contracts of both the Office and Production Units of the United Steelworkers of America at the mine will expire on October 31, 1976.

Exploration

Two properties staked in the Northwest Territories in 1974 were examined during the 1975 season and were dropped.

Two optioned properties in the Yukon were examined and drilled during the 1975 season. The Tyee Lake - Titan Polaris option was dropped. Drilling was continued on the Bailey group and the option requirements were fulfilled and your Company now holds a 60% interest.

Two exploration permits were obtained in Quebec Province which will be further examined during 1976.

Environmental Activities

A three-year water use licence was issued to your Company's operating mine and mill in June, 1975 by the Northwest Territories Water Board, pursuant to the Northern Inland Waters Act and regulations of the Northwest Territories Water Board.

The general conditions of this licence include the posting of a security deposit in the amount of \$100,000, a satisfactory reclamation program, tailing pond design, reduction of

water use in milling operations, discharge effluent quality and biological studies. Your Company has engaged a private engineering consulting firm to study and advise on the methods of compliance for the licence.

At the December 11, 1975 Board of Directors' Meeting, Mr. F. E. Hall tendered his resignation from the Board and from the offices of President and General Manager of your Company. It was resolved that the Board of Directors go on record as expressing its appreciation to Mr. Hall for the many years of devotion to the affairs of the Company as an Officer and Director.

Mr. C. A. Born was elected President and Chief Executive Officer and Director of the Company to fill the vacancy created by the resignation of Mr. Hall, effective January 1, 1976.

Mr. J. B. Redpath was elected Chairman of the Board, effective January 1, 1976.

On behalf of the Board,

C. A. BORN,
President.

Toronto, Ontario,
March 9, 1976.

ASSETS

CURRENT ASSETS:	1975	1974
Cash	\$ 1,389	\$ 67,935
Short-term notes	200,000	450,000
Accounts receivable	2,842,967	3,567,321
Income taxes recoverable	336,802	167,552
Inventory of concentrates — valued at the lower of cost or net realizable value	2,141,545	1,115,593
Inventory of ore in stockpile — at cost	34,142	64,567
Total current assets	<u>5,556,845</u>	<u>5,432,968</u>
FIXED ASSETS:		
Buildings, plant and equipment — at cost	12,618,036	11,017,179
Less accumulated depreciation (Note 1)	6,924,659	6,568,042
	<u>5,693,377</u>	<u>4,449,137</u>
Mining property — at cost	125,000	125,000
Net fixed assets	<u>5,818,377</u>	<u>4,574,137</u>
OTHER ASSETS:		
Inventory of supplies — at cost	1,283,031	982,582
Development and pre-production expenses — at cost less amounts written off (Note 1)	3,307,800	3,400,118
Deferred mining expenses — at cost less amounts written off of \$295,663 (1974 — \$64,838) (Note 1)	259,840	490,665
Total other assets	<u>4,850,671</u>	<u>4,873,365</u>
TOTAL	<u>\$16,225,893</u>	<u>\$14,880,470</u>

The accompanying notes are an integral part of the financial statements.

December 31, 1975

(for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:	1975	1974
Accounts payable and accrued charges	\$ 1,312,776	\$ 998,830
DEFERRED INCOME TAXES (Note 2)	1,496,000	1,351,000
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized:		
5,000,000 shares of a par value of \$1 each		
Issued and fully paid:		
4,990,000 shares	4,990,000	4,990,000
Less discount	1,372,851	1,372,851
	3,617,149	3,617,149
Retained earnings	9,799,968	8,913,491
Total shareholders' equity	13,417,117	12,530,640
Approved by the Board:		
C. ALLEN BORN, Director		
J. B. REDPATH, Director		
TOTAL	<u>\$16,225,893</u>	<u>\$14,880,470</u>

AUDITORS' REPORT

To the Shareholders of
Canada Tungsten Mining Corporation Limited:

We have examined the balance sheet of Canada Tungsten Mining Corporation Limited as at December 31, 1975 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations and the changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 27, 1976
Toronto, Ontario

DELOITTE, HASKINS & SELLS,
Chartered Accountants

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended December 31, 1975

(with 1974 figures for comparison)

	1975	1974
INCOME FROM OPERATIONS BEFORE THE UNDERNOTED (Note 3)	\$3,105,113	\$6,583,985
INTEREST ON SHORT-TERM NOTES	62,526	132,957
	<u>3,167,639</u>	<u>6,716,942</u>
OTHER COSTS AND EXPENSES:		
Depreciation (Note 1)	915,625	851,167
Amortization of development and pre-production expenses (Note 1)	92,318	267,164
Exploration expenses (Note 1)	953,219	392,409
N.W.T. mining royalty	—	89,753
	<u>1,961,162</u>	<u>1,600,493</u>
INCOME BEFORE INCOME TAXES	<u>1,206,477</u>	<u>5,116,449</u>
PROVISION FOR INCOME TAXES:		
Current	175,000	825,000
Deferred	145,000	614,000
	<u>320,000</u>	<u>1,439,000</u>
NET INCOME FOR THE YEAR	<u>886,477</u>	<u>3,677,449</u>
RETAINED EARNINGS AT BEGINNING OF THE YEAR	8,913,491	5,236,042
RETAINED EARNINGS AT END OF THE YEAR	<u>\$9,799,968</u>	<u>\$8,913,491</u>
INCOME PER SHARE	<u>17.2¢</u>	<u>73.7¢</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1975

(with 1974 figures for comparison)

FUNDS PROVIDED:	1975	1974
Net income for the year	\$ 886,477	\$3,677,449
Items not involving funds:		
Depreciation	915,625	851,167
Amortization of development and pre-production expenses	92,318	267,164
Deferred income taxes	145,000	614,000
Amortization of deferred mining expenses (Note 1)	230,825	64,838
Funds provided from operations	<u>2,270,245</u>	<u>5,474,618</u>
 FUNDS APPLIED:		
Development and pre-production expenses (Note 1) ..	—	960,832
Additions to fixed assets (net)	2,159,865	3,216,258
Supplies	300,449	491,658
Deferred mining expenses (Note 1)	—	555,503
	<u>2,460,314</u>	<u>5,224,251</u>
INCREASE (DECREASE) IN WORKING CAPITAL FOR THE YEAR	<u>(190,069)</u>	250,367
WORKING CAPITAL AT BEGINNING OF THE YEAR	4,434,138	4,183,771
WORKING CAPITAL AT END OF THE YEAR	<u>4,244,069</u>	<u>\$4,434,138</u>
CHANGES IN WORKING CAPITAL — increase (decrease):		
Cash and short-term notes	\$ (316,546)	\$ (869,567)
Accounts receivable	(724,354)	826,023
Income taxes recoverable	169,250	48,950
Inventory of concentrates	1,025,952	437,168
Inventory of ore in stockpile	(30,425)	(66,233)
Accounts payable and accrued charges	(313,946)	(125,974)
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (190,069)</u>	<u>\$ 250,367</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1975

1. Accounting Practices

(a) Fixed assets:

It is the company's practice to provide for depreciation of buildings, plant and equipment at 15% per annum on a straight-line basis.

(b) Development and pre-production expenses:

The development and pre-production expenses related to the original open pit mine were being amortized until May, 1974 over the estimated life of the original ore body on the basis of units sold. All development and pre-production costs related to the new ore body incurred after the decision to proceed with underground development and up to the date of commercial production, May 15, 1974, have been deferred. Commencing with the date of commercial production from the new underground ore body the aggregate of the unamortized costs from the original ore body of \$660,000 and the costs related to the new underground ore body are being amortized over the estimated life of the new ore body on the basis of units sold. Costs related to outside exploration are expensed as incurred.

(c) Deferred mining expenses:

Costs related to the continuing development of the underground ore body are being amortized, as is the practice in the industry, over a three year period.

(d) Conversion of U.S. dollars:

At December 31, 1975, accounts receivable due in U.S. dollars have been converted to Canadian dollars at par.

2. Deferred Income Taxes

Deferred income taxes result from claiming the development and pre-production expenses as deductions from taxable income in the year expended whereas these expenses are being amortized over the estimated life of the mine for accounting purposes and from claiming greater amounts of depreciation for income tax purposes than the amounts recorded for accounting purposes.

3. Sales Disclosure

Pursuant to Section 173 of The Business Corporations Act, Ontario, an order was obtained from the Ontario Securities Commission permitting the company to omit disclosure of sales in the statement of income for the year ended December 31, 1975.

4. Remuneration of Directors and Senior Officers

Remuneration of directors and senior officers, as defined by the Business Corporations Act, Ontario, amounted to \$188,000 for the year ended December 31, 1975 (1974 — \$165,000).

5. Anti-inflation Legislation

Under anti-inflation legislation enacted by the Government of Canada effective October 14, 1975, the company is not permitted to declare or pay dividends in the twelve month period ending October 13, 1976 in excess of 18.4¢ per share. Regulations concerning the payment of dividends after October 13, 1976 have not yet been issued by the Government.

Report of the Mine Manager

The President and Board of Directors,
Canada Tungsten Mining Corporation Limited.

Dear Sirs:

The following report briefly covers the 1975 operations of the mine and concentrator at Tungsten, N.W.T. and the leach plant in Vancouver, B.C. Both facilities operated continuously during the year.

CONCENTRATOR

The concentrator treated 179,032 tons of ore containing 1.28% WO_3 which included 6,213 tons of low-grade stockpile material. Total production amounted to 162,892 short ton units of WO_3 . Overall WO_3 recovery for the year averaged 71.1%. The concentrator operated 92.7% of possible time for an average of 490 tons per day.

Due to metallurgical problems created by the presence of talc in the ore, the recovery of scheelite was below expectations. Many circuit adjustments were effected during the year and present indications point to improved recovery during 1976.

No copper concentrate was produced during the year.

MINING

During the year 172,819 tons of ore were mined grading 1.30% WO_3 . Waste broken totalled 16,166 tons of which about 65% was placed in the mine as backfill.

The following underground development work was completed:

	1975 (Feet)	1974 (Feet)
Drifts and Crosscuts	1,265	539
Access Ramps	1,107	4,213
Stope Development	1,126	1,705
Raises	1,002	1,181.5
Diamond Drilling	238	4,787

Ore reserves at December 31, 1975 are estimated to be 4,347,000 tons averaging 1.6% WO_3 and 0.23% Cu.

GENERAL

Major projects during the year included: the site preparation and services installation for 12 mobile homes and a 48-man bunkhouse complex; construction of a new assay laboratory and cold storage warehouse; completion of the oil storage tank farm. Work was started on an extension to the power house. Sections of the main access road were ditched and upgraded, which was required because of the severe winter of 1974.

On surface, a geological mapping program was completed on the new mine property and two holes were drilled to ascertain geologic information.

Labour turnover continued fairly high, but the availability of personnel was good.

LEACH PLANT

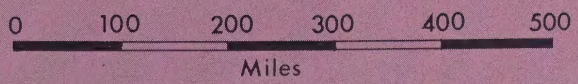
Operations at the leach plant were satisfactory with an overall recovery of 98.3% of product treated.

I would like to express my appreciation to the Directors of the Company for their support, and to the staff and operating personnel at the mine and leach plant for their co-operation and performance during the year.

Respectfully submitted,

K. G. COLLINS,
Manager of Operations

March 9, 1976



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